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Table of Contents

Executive summary.....	4
1. Introduction.....	5
2. Main body.....	6
2.1 Technology and the rise of new institutional pressures.....	6
Regulative (coercive) pressures.....	6
Normative pressures.....	6
Cultural-cognitive pressures.....	7
Implication for IHRM.....	8
2.2 Macro-factors as shapers of the institutional field.....	9
Demographics (normative and regulative).....	9
Geopolitics (coercive and mimetic).....	10
McDonald's as an IHRM navigator.....	10
IHRM's role.....	11
2.3 Addressing skills gaps through an institutional lens (≈500 words).....	12
From efficiency to legitimacy.....	12
“Build” (formation and progression).....	12
“Buy” (external hiring) and mimetic isomorphism.....	12
“Bind” (retention) and cultural legitimacy.....	13
Implication for IHRM.....	13
2.4 Reflective report: learning to navigate institutional environments.....	14
Personal development plan.....	16
My personal legitimacy claim.....	16
3. Conclusion.....	17
4. References.....	18

Executive summary

Companies don't build their HRM systems from scratch; they exist within "institutions" that are influenced by the force of laws, professional standards and "taken-for-granted" beliefs about what is acceptable. It is argued in this report that IHRM's ability to achieve long term success and generate legitimacy is dependent upon its ability to read and effectively navigate these forces that affect companies' institutional environments. Firstly, there are emerging technologies (Artificial Intelligence, Algorithmic Hiring Platforms, etc.) that are creating new regulatory, professional and cultural-cognitive constraints (EU Artificial Intelligence Act; NYC AEDT Law) which will influence Labour Markets and IHRM Practices. Secondly, demographic ageing and political fragmentation of the world are altering the institutional environment; therefore, it is expected that businesses will have to create products that can be sold globally whilst at the same time being able to adapt to local conditions - e.g., McDonald's in France. Thirdly, solutions to skill shortages are institutional indicators of legitimacy and demonstrate to stakeholders that companies are willing to invest in their employees in order to meet future demands and expectations; this is not just to increase efficiency - companies need to "build, buy, bind" talent to meet external expectations. Finally, through my perspective as an International Business MBA student, I discuss how I am learning to develop "institutional intelligence" to operate in a legitimate and effective manner across different countries and cultures.

1. Introduction

According to institutional theory, organizations pursue legitimacy just as much as they pursue efficiency; and, structures and practices frequently reflect or mirror outside-in influences from regulatory bodies, professions, and society's shared cultural assumptions (Meyer & Rowan, 1977; Scott, 2014). Therefore, for IHRM, strategy choices will be negotiated between the organization's internal desires and the external environmental pressures and constraints. The "three pillars" described by Scott (2014), include the regulative, normative and cultural-cognitive pillars. This study examines how changes in technology, demographics and geopolitics and ongoing skill shortages force the restructuring of HRM and IHRM. An anchor case (McDonald's) is used to demonstrate how a multinational employer adjusts its approaches to its global workforce while demonstrating consistency across different labor markets. The conclusion explores how an MBA student can develop "institutional intelligence" to navigate the international arena of IHRM.

2. Main body

2.1 Technology and the rise of new institutional pressures

Regulative (coercive) pressures.

The advent of AI has prompted regulators to establish formalized regulatory frameworks that will fundamentally alter IHRM. As an example, the European Union's **AI Act (Regulation (EU) 2024/1689)** will create standardized regulatory obligations (for example, risk management, transparency and documentation) with phased applicability, compelling HR to re-engineer AI-enabled recruitment, assessment and worker monitoring (European Parliament and Council, 2024). In New York City, the New York City Department of Consumer and Worker Protection issued **Local Law 144** which mandates bias audits and candidate disclosure for AEDTs (Automated Employment Decision Tools) used by employers to screen candidates and vendors that provide AEDTs, thereby limiting the use of algorithmic screening and requiring vendors to demonstrate compliance with the regulations (NYC Department of Consumer and Worker Protection, 2023). Coercive isomorphism is evident here as firms are being compelled to comply with the law leaving little room for managerial discretion (DiMaggio and Powell, 1983).

Normative pressures.

Professionally bodies have also been active in defining "responsible AI" in human resource management, creating de facto standards for HR practice regardless of whether there is corresponding legal requirements. For example, the CIPD has advocated for HR professionals to take leadership roles in developing their organization's ethics regarding AI, increasing transparency related to AI and improving employees' capabilities in using AI (CIPD, 2024). Similarly, the Society for Human Resource Management (SHRM) advocates for the use of AI as a tool to augment - not replace - human judgment and places importance on employee upskilling, ensuring fairness in the selection process and implementing effective governance mechanisms (SHRM, 2024). Soft law, technical frameworks, including NIST's AI Risk Management Framework (1.0) and ISO/IEC 42001:2023 (AI management systems), have emerged as potential

standardization benchmarks for HR governance, vendor due diligence and audit trails within an organization's talent system (NIST, 2023; ISO, 2023).



Picture 1: NIST's AI Risk Management Framework

Together, these artefacts channel HR practice toward “acceptable” configurations consistent with Scott’s normative pillar (Scott, 2014).

Cultural-cognitive pressures.

Post-pandemic, it has become widely accepted that most knowledge workers can perform their job duties remotely. Recent surveys conducted at a national level demonstrate that the number of days per week that employees spend working from home continues to grow at a rate greater than 2019 levels (Barrero, Bloom and Davis, 2023). Any return-to-office mandate now requires justification and careful signalling to avoid reputational penalties in talent markets. These cultural-cognitive assumptions influence what is expected by candidates during the hiring process and what is perceived as necessary to retain employees. Return-to-office policy changes are viewed by candidates as violations of social norms rather than simply as tactical or

operational adjustments. Additionally, in industries such as healthcare, candidate expectations and acceptable uses of digital monitoring and telemedicine are influenced by privacy frameworks such as HIPAA (U.S. Department of Health and Human Services, no date).

Implication for IHRM.

Practically, IHRM should:

- institute an **AI governance playbook** aligned to the EU AI Act, NIST RMF and ISO/IEC 42001 (European Parliament and Council, 2024; NIST, 2023; ISO, 2023);
- conduct **human-rights and bias impact assessments** for AEDTs in line with NYC-style expectations (NYC Department of Consumer and Worker Protection, 2023);
- embed **professional codes** (CIPD/SHRM) in vendor SLAs (CIPD, 2024; SHRM, 2024); and
- treat remote/hybrid design as a **cultural-cognitive** variable, not solely an efficiency parameter (Barrero, Bloom and Davis, 2023).

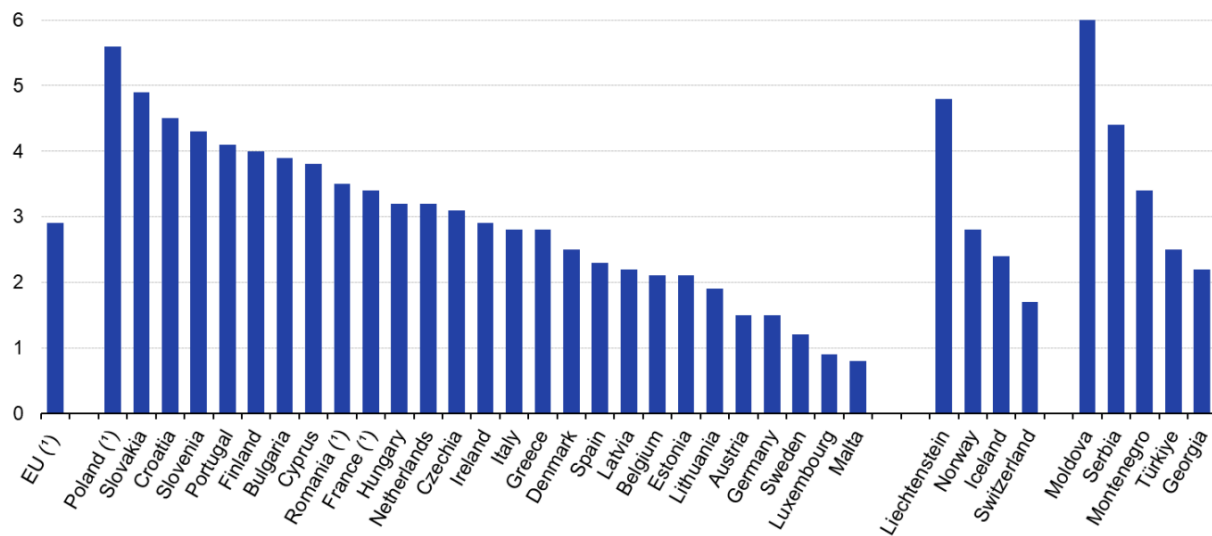
The result is not just compliance but institutional **legitimacy**, a precondition for sustainable access to talent and markets (Meyer and Rowan, 1977; Scott, 2014).

2.2 Macro-factors as shapers of the institutional field

Demographics (normative and regulative).

Europe's rapid ageing—21.6% of the EU population was aged 65+ on 1 January 2024—reframes expectations about later-life work, flexible retirement and health benefits (Eurostat, 2025).

Increase in the share of the population aged 65 years or over between 2014 and 2024
(percentage points)



(*) 2024 provisional/estimated.

Source: Eurostat (online data code: demo_pjanind)

eurostat 

Picture 2: Increase in the share of the population aged 65 years and over between 2014 and 2024 (Source: Eurostat, 2025)

United Nations forecasts point to an ageing global population and a gradual slowdown in demographic growth, a shift that heightens attention to the employability of older workers and the expansion of long-term care services. These trends create a dual set of pressures within international HRM. Organisations face rising expectations to provide equitable opportunities and to design work in ways that accommodate age diversity, which may include revising tasks, improving ergonomics, or offering sustained access to learning. Health systems encounter a different form of pressure, one rooted in regulation. In the United States, for example, strict

privacy requirements under HIPAA shape how workforce information is collected and managed, while staffing mandates such as California's AB 394 impose minimum nurse-to-patient ratios that limit the flexibility of scheduling practices (U.S. Department of Health and Human Services, no date; California Department of Public Health, no date).

Geopolitics (coercive and mimetic).

Geopolitical developments reinforce these constraints through a combination of coercive and mimetic forces. Sanctions, export controls and the spread of data-localisation rules are altering how organisations deploy personnel and structure their data environments. At the same time, broader patterns of geoeconomic fragmentation have begun to redirect foreign investment toward clusters of politically aligned economies. As firms adjust to this landscape, many adopt regionally focused or “China+1” operating strategies, often mirroring peers to signal prudence to investors and policy actors (International Monetary Fund, 2023; McKinsey Global Institute, 2025). The institutional logic now favours diversification and a stronger focus on economic security, even when these decisions compromise efficiency. HR functions must therefore contribute to new frameworks for site selection, global mobility and compliance, which can involve restrictions on certain nationalities for sensitive positions or obligations to maintain data-processing capacity within specific jurisdictions (OECD, 2024).

McDonald's as an IHRM navigator.

In this case, McDonald's is an example of how a multinational can address institutional complexity. French regulation sets out strict rules governing working time, including a 35 hour maximum per week, weekly hours limits and mandatory rest breaks, thus providing a framework for McDonald's to schedule employees' working time, manage overtime, etc. Entitlements are emerging such as the right to disconnection and, accordingly, expectations around after-hours communications are being set with respect to digital presence. McDonald's has responded to these institutional constraints through formalized rostering processes, explicit rest period protections and participation in local social dialogue. Normative expectations regarding development and progression at McDonald's are met through formalized education and career pathways, while attention is paid to local cultural-cognitive norms surrounding work-life

balance, which may be different than what exists in some U.S.-based contexts (Kostova & Roth, 2002; McDonald's, n.d.). By combining global consistency with tailored local adjustments, McDonald's establishes legitimacy and ensures that its people systems fit into the institutional environment in which they operate (Scott, 2014; DiMaggio & Powell, 1983).

IHRM's role.

The function must act as an **environmental scanner** that translates demographic and geopolitical signals into policy blueprints: age-inclusive career pathways; lawful data flows; workforce-continuity plans under sanctions; and locally credible social-partner engagement. This is **boundary-spanning** work, not merely policy writing (OECD, 2024; International Monetary Fund, 2023).

2.3 Addressing skills gaps through an institutional lens (≈500 words)

From efficiency to legitimacy.

In tight labour markets, strategies to “build, buy, bind” skills are also **signals** to regulators, professions and communities. Investments in **apprenticeships**, education and university partnerships satisfy **normative** expectations of being a “good corporate citizen”, often reinforced by incentives and reporting requirements. Public commitments to ethical AI upskilling and fair transitions similarly respond to emergent professional norms set by bodies such as CIPD and SHRM (CIPD, 2024; SHRM, 2024).

“Build” (formation and progression).

McDonald’s **Archways to Opportunity** in the US exemplifies a “build” strategy that also conveys legitimacy: tuition assistance, English-language learning and high-school/college pathways demonstrate advancement opportunities from crew to management and align with cultural beliefs in social mobility (McDonald’s, no date; Kostova and Roth, 2002). Such schemes are particularly salient in hospitality, where strong **cultural-cognitive** pressures—captured in concepts like Japan’s *omotenashi*—define service excellence as an ethic, not a script. Research on *omotenashi* shows how deeply embedded service values drive both employee behaviour and guest evaluations (Morishita and Kosaka, 2017). Reskilling programmes that honour local service ideals attract and retain talent otherwise deterred by high-stress frontline conditions.

“Buy” (external hiring) and mimetic isomorphism.

In hot skill markets (for example, AI engineers, ICU nurses), firms often **copy** competitors’ compensation architecture and benefits even when economics are tight, because not matching would appear illegitimate to talent and analysts (DiMaggio and Powell, 1983). In technology, hiring playbooks increasingly include **AI governance** roles (risk, privacy, model audit) that mirror NIST/ISO frameworks and buyer due-diligence checklists (NIST, 2023; ISO, 2023). In healthcare, widespread adherence to safe staffing norms and privacy compliance acts as table

stakes for employer legitimacy, not differentiators (U.S. Department of Health and Human Services, no date; California Department of Public Health, no date).

“Bind” (retention) and cultural legitimacy.

Retention hinges on **delivering** what the institutional environment defines as appropriate. In hospitality, frontline turnover falls when employers authentically embed the local service ethos into job design, training and recognition (Morishita and Kosaka, 2017). In quick-service retail, clear career ladders and credible education support (for example, Archways) “bind” employees by meeting community norms about fair opportunity (McDonald’s, no date). These practices generate **organisational legitimacy**, which, in turn, sustains talent pipelines even when wages cannot lead (Kostova and Roth, 2002).

Implication for IHRM.

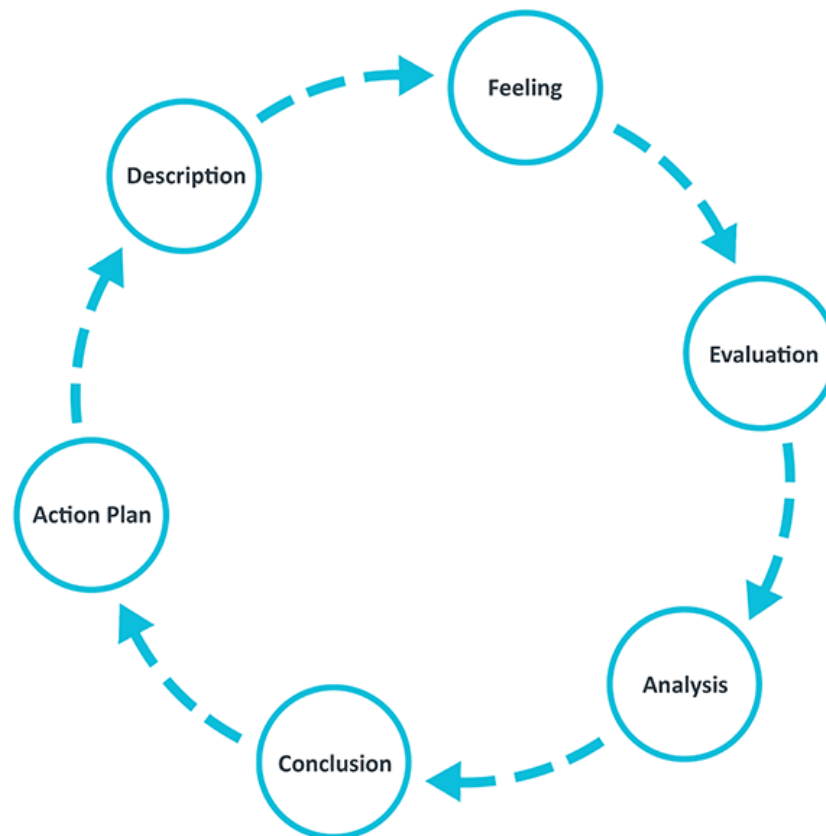
IHRM should diagnose which pillar dominates the skills problem by segment:

- **Regulative:** licences, staffing ratios, privacy rules;
- **Normative:** professional standards, ethical expectations;
- **Cultural-cognitive:** service ethos, work–life beliefs.

It can then architect a portfolio—formation pathways, lawful and fair recruitment tech, and retention signals—that addresses legitimacy **and** capability, reducing over-reliance on salary escalation and building reputational capital in key labour markets (CIPD, 2024; Scott, 2014).

2.4 Reflective report: learning to navigate institutional environments

Reflection Using Gibbs Reflective Cycle



Picture 3: Gibbs Reflective Cycle (Gibbs, 1988)

Description:

This was a "first formal assignment" as a International Business MBA student of Bangladeshi origin after only attending classes. This was a unique combination of using concepts around Institutional Environments while maintaining strict Academic Integrity standards. In addition, I had to collaborate with other students to know the guidelines and suggestions which helped me to complete the assignment.

Feelings:

Initially I felt somewhat apprehensive and overwhelmed by the academic integrity guidelines, particularly those related to referencing, plagiarism checks, and the declaration of AI use. I was concerned about making an unintended mistake. I was also concerned about communicating confidently to my international colleagues. Over time, my uncertainty and anxiety developed into curiosity and motivation as I became increasingly aware of the expectations.

Evaluation:

A positive aspect was realising how supportive the academic structure is when approached systematically. Clear rules, rubrics and feedback helped me understand what “good academic practice” looks like. My group members were respectful and patient, which made collaboration smoother. However, I struggled initially with time management, and adapting to different communication styles across cultures took effort.

Analysis:

Upon reflection, I can now see that this experience has provided me with knowledge and understanding of Institutional Navigation. The academic integrity policies, for example, are reflective of the external regulatory demands of companies, such as transparency and accountability. The group work experience highlighted many aspects of professional norms, including being punctual, providing constructive feedback, and sharing responsibilities. Perhaps most importantly, the opportunity to work collaboratively with colleagues from diverse cultural backgrounds provided me with a deep appreciation for how assumptions regarding time, communication and responsiveness can be culture-specific - a valuable learning experience as a global business practitioner.

Conclusion:

This assignment allowed me to grow in confidence, to appreciate and respect both academic and cultural expectations, and to enhance my ability to adapt in international environments.

Action Plan:

To develop my referencing skills further; To ask for regular feedback from my Tutors; To clearly define communication expectations prior to commencing work in groups that have diverse multicultural memberships.

Personal development plan.

- **Institutional literacy.** I will take an elective in comparative regulation and complete short courses on AI governance grounded in NIST RMF and ISO/IEC 42001 to improve policy design in new markets (NIST, 2023; ISO, 2023).
- **Normative engagement.** I will join CIPD as a student member and attend SHRM webinars to remain current on ethical AI and labour standards, integrating their checklists into my project templates (CIPD, 2024; SHRM, 2024).
- **Cultural agility.** I will formalise a short **field guide** for new cross-border teams (meeting norms, decision rights, async protocols) and practise “local hypothesis testing” during market-entry scoping—explicitly surfacing assumptions about work-life boundaries (for example, France’s right to disconnect) and service ethos (for example, *omotenashi*) (Government of France, no date; Morishita and Kosaka, 2017).

My personal legitimacy claim.

Articulated as a personal EVP, my value proposition is: (1) evidence-based problem framing under uncertainty; (2) design-thinking for compliant, human-centred HR technologies; and (3) stakeholder orchestration across legal, professional and cultural logics. Evidence from this term—peer feedback on clarity and inclusivity, and strong performance in data-driven cases—supports this positioning. I will showcase it through a portfolio of annotated deliverables and a concise 60-second “institutional navigation” pitch.

3. Conclusion

Institutional theory explains why IHRM is more than an internal optimiser: it is a **boundary-spanning** function that must secure **legitimacy** by aligning practices with the **regulative**, **normative** and **cultural-cognitive** pillars that constitute each labour market (Scott, 2014; Meyer and Rowan, 1977). Technology amplifies this challenge by accelerating rule-making (EU AI Act; NYC AEDT regulation) and codifying professional expectations (CIPD/SHRM, NIST/ISO) (European Parliament and Council, 2024; NYC Department of Consumer and Worker Protection, 2023; CIPD, 2024; NIST, 2023; ISO, 2023). Demographics and geopolitics reconfigure the field, demanding local fit within global coherence—exemplified by McDonald’s adaptation in France (Eurostat, 2025; McDonald’s, no date; Ministère du Travail, no date). Skills strategies signal legitimacy as much as they close capability gaps: “build, buy, bind” must be architected for social acceptance, not only cost (Kostova and Roth, 2002; Morishita and Kosaka, 2017). For practitioners and graduates alike, the durable advantage is **institutional intelligence**: the capacity to read environments quickly, design ethical systems, and deliver value that societies recognise as appropriate.

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